



ESTATE PLANNING: PEACE OF MIND FOR YOU AND A PLAN FOR YOUR FAMILY

Estate planning may conjure up images of wealthy families and inheritance feuds, but in reality it's something every adult should do, regardless of age or net worth. An estate plan, which is traditionally defined as the preparation for the orderly administration and disbursement of a person's wealth and property upon his or her death, begins with a will and can encompass everything from tax considerations to healthcare directives.

Simply put, having an estate plan means things are in order after you die. But it has a more immediate reward, as well: peace of mind.

WHERE TO BEGIN: MAKING A WILL

The basic steps for making a will are to itemize your property and decide who will inherit what, to choose a guardian for your children and someone to manage your children's property, and to name an executor to handle your estate. A lawyer is advisable if your finances are complex, but if you want to do it yourself, good self-help books (Nolo Press – www.nolo.com – is an excellent source) and will-making software (such as Quicken WillMaker) are available.

NAME A POWER OF ATTORNEY

Next, you should name a durable power of attorney for your finances – someone to act on your behalf in all financial matters should you become incapacitated. (The power of attorney automatically ends at the time of your death. If you want the same person to handle your affairs after your death, you should name that person as executor in your will.)

AVOID THE COST AND HASSLE OF PROBATE

Unless you take steps to avoid it, your estate will have to go through probate – a lengthy and costly legal process through which the court validates your will, ensures payment of your debts and oversees distribution of your assets. Probate can take six months to two years, and can cost tens of thousands of dollars. As you plan your estate, consider the following strategies:

- Use joint ownership. When your home, vehicles, stocks or bank accounts are jointly owned, the title of the property automatically passes to the survivor upon your death.
- Set up a living trust. Property that is kept in a trust can be transferred directly to your beneficiaries after your death instead of going through probate court.
- Name a beneficiary for bank accounts and retirement plans. When you name a beneficiary, these accounts become "payable on death" to the person you name; again, avoiding probate. (You might also want to consider earmarking a separate "payable on death" account for funeral expenses.)

CONSIDER LIFE INSURANCE

If you have young children or other dependents who rely on your income, life insurance is an important aspect of estate planning. Before you purchase a policy, consider your survivor's likely needs, both short-term and long-term. (If there is nobody who depends on your income to get by, you probably don't need life insurance.)

GET CURRENT ON ESTATE TAX LAW

The federal estate tax, a hefty tax (currently 45%) imposed on assets left at death, is going through a lot of changes. In 2006, it only affects the wealthiest 2% of U.S. residents because of a \$2 million exemption. Over the following few years (2007-2009), the estate-tax rate will go down and the exemption amount will go up, and in 2010 there will be no estate tax. It will be back in 2011, though, unless Congress votes to extend the repeal. If you'll be leaving behind a large estate you should:

- Stay abreast of changing estate tax laws.
- Consider making tax exempt gifts while you're still alive in order to reduce your taxable estate. (Currently, there is no gift tax on gifts up to \$11,000 per year – \$22,000 if you're married.)

WRITE OUT HEALTHCARE DIRECTIVES & MAKE FINAL ARRANGEMENTS

An advance healthcare directive formalizes your healthcare wishes (your "living will") and names a durable power of attorney for health (someone to make your healthcare decisions if/when you no longer can), thus spelling out important preferences about the care you want to receive in specified circumstances. It's a good idea to talk to your loved ones about these wishes in advance, and also to discuss details about burial or cremation, the type of funeral or service you want, and any other final wishes.

Putting your wishes in writing will spare your loved ones from agonizing decision-making and help preclude disputes between grieving family members and friends.

A FINAL WORD

Once you have an estate plan laid out, with all your documents safely stored where loved ones will know to find them, the peace of mind is tremendous. But don't get too comfortable! You should review each element of your plan periodically to make sure newly acquired assets are accounted for, beneficiary information is up to date, your estate tax plan is in accord with the most current tax laws, and even that your ideas about your final care remain the same.

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